

COPY

**KINGSBURY UTILITY CORPORATION**

**P.O. BOX 254**

**KINGSBURY, IN 46345**

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**FILED**

**AUG 09 2007**

**INDIANA UTILITY  
REGULATORY COMMISSION**

Brenda Howe  
Indiana Utility Regulatory Commission  
302 W. Washington Street, Suite E306  
Indianapolis, IN 46204

Dear Ms. Howe

Enclosed please find revised schedules for Cause #43297-U, Kingsbury Utility Small Private Rural Water Rate Case. The reason for the revised schedules is based on the Utility's loss of a significant customer between the submission date of the Utility's rate study and the field review by the OUCC. The Utility contacted your office for the appropriate procedures regarding this subsequent event and these revised schedules follow the advice the Utility received.

National Liquid Packaging was an active customer of the Utility through November, 2006 when the company laid off a significant number of employees and went into protective bankruptcy. From December 2006 through April 2007, National Liquid Packaging's water and sewer billings were the minimum bill allow by the Utility's tariff. During this time frame, all remaining employees were laid off. In April 2007, services to National Liquid Packaging were ceased at their request. The Utility will not have any further billings to this customer. Adjustment #11 outlines the loss of revenue that National Liquid Packaging represented to the Utility in 2006. The revised schedules, also included, are based on the original Utility rate study, adjusted for this loss of revenue. In summary, the effect of the loss of revenue raises the requested rate increase from 21.4% to 39.4%.

Thank you for your attention to this subsequent submission. Three copies of the revised schedules have been provided at your request.

Sincerely,



Jeffrey L. Johnson  
President, Kingsbury Utility Corporation

KINGSBURY UTILITY CORPORATION  
KINGSBURY, INDIANA  
DETAIL OF TYPICAL ADJUSTMENTS

## (11) - ADJUSTMENT FOR LOST CUSTOMER

Kingsbury Utility is a small utility and each customer is important, but like every other business, some customers are more important than others. In November of 2006 a customer, National Liquid Packaging, went into protective bankruptcy and place the plant on temporary shut down. The monthly billings to customer went to the tariff minimum. In early May, the customer permanently closed its doors, completely eliminating any hopes of returning to the old revenue. The Utility, in effect, has lost 100% of this customers revenue from the Utility's base year revenue. The following schedule outlines the composition of the customers revenue to the Utility during 2006 by account identification of the six meters.

<u>Meter ID</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
NAPR1	3,310.40	4,157.78	7,468.18
NAPR2	454.64	409.68	864.32
NAPR2-L	67.47	63.81	131.28
NAPR3	5,309.54	6,667.02	11,976.56
NAPR4	4,487.69	5,768.48	10,256.17
NAPR5	255.56	222.80	478.36
SUBTOTAL	13,885.30	17,289.57	31,174.87
FIRE PROTECTION	2,250.00	-	2,250.00
"LOST" REVENUE	16,135.30	17,289.57	33,424.87

NEW INFORMATION - SUBSEQUENT EVENT

KINGSBURY UTILITY CORPORATION  
KINGSBURY, INDIANA  
PROFORMA OPERATING INCOME STATEMENT

CAUSE # 43297- U  
 REVISED

Line No.		Test Year Col. A	Adjustments Col. B	Adjusted Present Rates Col. C	Adjustments Col. D	Proforma Proposed Rates Col. E
<u>OPERATING REVENUES</u>						
1.	Sales of water - decrease for #2 and #11	\$ 174,358	\$ (30,949)	\$ 143,409	\$ 56,435	\$ 199,844
2.	Other operating revenues	\$ -	-	-		-
3.	Total Operating Revenues	<u>\$ 174,358</u>	<u>\$ (30,949)</u>	<u>\$ 143,409</u>	<u>\$ 56,435</u>	<u>\$ 199,844</u>
<u>OPERATING EXPENSES</u>						
4.	Operation and maintenance expenses	\$ 133,608	-	133,608	\$ -	133,608
5.	Additional Payroll Costs - Executive		4,917	4,917		4,917
6.	Additional Payroll Costs - Bookkeeper		8,612	8,612		8,612
7.	Employee Benefits	-	3,000	3,000	-	3,000
10.	Depreciation Expense - Add'l Assets	6,773	-	6,773	-	6,773
11.	Amortization expense	-	1,000	1,000	-	1,000
12.	Taxes other than income taxes	12,677	-	12,677	56	12,733
13.	Income Taxes	-	-	-	15,605	15,605
14.	Total Operating Expenses	<u>\$ 153,058</u>	<u>\$ 17,529</u>	<u>\$ 170,587</u>	<u>\$ 15,662</u>	<u>\$ 186,249</u>
15.	Net Operating Income (Loss)	<u>\$ 21,300</u>	<u>\$ (48,478)</u>	<u>\$ (27,178)</u>	<u>\$ 40,774</u>	<u>\$ 13,595</u>

REVISED

KINGSBURY UTILITY CORPORATION  
KINGSBURY, INDIANA  
DETAIL OF TYPICAL ADJUSTMENTS

## (9) TO ADJUST WATER REVENUE TO REFLECT THE PROPOSED RATE INCREASE.

Adjusted total water revenue - 2006	\$ 143,409
Multiply by computed rate of increase	<u>39.4%</u>
Computed additional water revenue	<u>\$ 56,435</u>

## (10) TO ADJUST OPERATING EXPENSES TO REFLECT THE PROPOSED RATE INCREASE.

IURC FEE

Proposed increase in revenues	\$ 56,435
Times: IURC Rate	<u>0.001</u>
Increase in IURC Fee	<u>\$ 56</u>

GROSS RECEIPTS TAX

Proposed increase in revenues	\$ 56,435
Times rate	<u>1.20%</u>
Increase in Gross Tax	\$ 677

STATE SUPPLEMENTAL INCOME TAX

Proposed increase in revenues	\$ 56,435
Less: IURC Fee increase	(56)
Proposed net increase in expenses over revenues	-
Gross Tax increase	<u>(677)</u>

Subtotal	\$ 55,702
Times rate (8.5%)	<u>8.50%</u>
Increase in State Tax	\$ 4,735

FEDERAL INCOME TAX

Proposed increase in revenues	\$ 56,435
Less: IURC Fee increase	(56)
Gross Tax increase	(677)
Proposed increase in expenses	-
State Tax increase	<u>(4,735)</u>

Subtotal	\$ 50,967
Times rate (20%)	<u>20.00%</u>
Increase in Federal Tax	<u>\$ 10,193</u>

Adjustment \$ 15,605

CAUSE # 43297-U

REVISED

KINGSBURY UTILITY CORPORATION  
KINGSBURY, INDIANA  
CALCULATION OF RATE INCREASE

INCREASE IN OPERATING REVENUES REQUIRED

Fair Value Rate Base	\$ 123,575
Times: Fair Value Rate of Return	<u>11.00%</u>
Proposed Utility Net Operating Income	13,593
Less: Pro-forma Net Operating Income at Present Rates	<u>(27,178)</u>
Increase in Net Operating Income Required	\$ 40,772
Times: Revenue Conversion Factor	<u>1.384183817</u>
Increase in Operating Revenues Required	<u>\$ 56,435</u>

PERCENT INCREASE IN REVENUES

Proposed Increase in Operating Revenues	\$ 56,435
Divided by: Operating Revenues at Present Rates	<u>143,409</u>
Percent Increase in Operating Revenues	<u>39.4%</u>

PERCENT INCREASE IN RATES

Proposed Increase in Operating Revenues	\$ 56,435
Divided by: Sales of Water at Present Rates	<u>143,409</u>
Percent Increase in Rates	<u>39.4%</u>

CAUSE # 43297-U

REVISED

KINGSBURY UTILITY CORPORATION  
KINGSBURY, INDIANA  
REVENUE CONVERSION FACTOR

Line  
No.

1.	Gross revenue change	100.0000%
2.	Less: Gross income tax	-1.2000%
3.	IURC Fee	-0.1000%
4.	Uncollectible accounts rate	<u>-0.0050%</u>
5.	Subtotal	98.6950%
	Less: State Income Taxes	
6.	(8.5% of Line 5 X 100.0%)	<u>-8.3891%</u>
7.	Subtotal	90.3059%
8.	Federal Income Taxes	
	(20% of Line 7 X 100.0%)	<u>-18.0612%</u>
9.	Total	<u><u>72.2447%</u></u>
10.	Revenue Conversion Factor	
	(1 divided by Line 9)	<u><u>1.384184</u></u>

COMPUTATION OF STATE & FEDERAL INCOME TAX RATES:

Pro-Forma loss under old rates	-
Divided by total proposed increase in Net Income	<u>40,772</u>
Percentage of proposed increase not taxed	<u><u>0.0000%</u></u>
Percentage of proposed increase that will be taxed	<u><u>100.0000%</u></u>

CAUSE # 43297-U

REVISED

KINGSBURY UTILITY CORPORATION  
KINGSBURY, INDIANA  
RATE OF RETURN ON ORIGINAL COST

Line No.	<u>ORIGINAL COST RATE BASE</u>	Pro-forma <u>Present Rates</u>	Pro-forma <u>Proposed Rates</u>
1.	Utility plant in service	\$ 937,467	\$ 937,467
2.	Less: Accumulated depreciation	\$ (830,439)	\$ (830,439)
3.	Net utility plant in service	\$ 107,028	\$ 107,028
4.	Add: Current year additions to Utility plant in service	\$ -	\$ -
5.	Working capital (1)	16,547	16,547
6.	Less: Contributions in aid of construction	-	-
7.	Original Cost Rate Base	<u>\$ 123,575</u>	<u>\$ 123,575</u>

	Pro-forma <u>Present Rates</u>	Pro-forma <u>Proposed Rates</u>
<u>RATE OF RETURN ON ORIGINAL COST</u>		
8.	Net operating income	\$ (27,178) \$ 13,595
9.	Divided by: Original cost rate base	<u>123,575</u> <u>123,575</u>
10.	Rate of Return on Original Cost	<u>-21.99%</u> <u>11.00%</u>

	Pro-forma <u>Present Rates</u>	Pro-forma <u>Proposed Rates</u>
<u>(1) WORKING CAPITAL-45 DAY METHOD</u>		
11.	Total O&M Expenses	\$ 150,137 \$ 150,137
12.	Less: Purchased power	(17,761) (17,761)
13.	Purchased water	- -
14.	Subtotal	<u>\$ 132,376</u> <u>132,376</u>
15.	Divide by: 8	<u>8</u> <u>8</u>
16.	Gross Working Capital	<u>\$ 16,547</u> <u>\$ 16,547</u>

CAUSE #43297-L

REVISED

KINGSBURY UTILITY CORPORATION  
KINGSBURY, INDIANA  
RETURN ON EQUITY-ORIGINAL COST  
AT PRESENT RATES

Line

No. WEIGHTED COST OF CAPITAL

	<u>Type of Capital</u>	<u>Amount</u>	<u>Percent</u>	<u>Cost</u>	<u>Weighted Ave. Cost</u>
1.	Long-term debt	\$ -	0.00%	0.00%	0.00%
2.	Common equity	211,276	100.00%	-21.99%	-21.99%
3.	Preferred equity	-	0.00%	0.00%	0.00%
4.	Post-1970 ITC	-	0.00%	0.00%	0.00%
5.	Pre-1971 ITC	-	0.00%	0.00%	0.00%
6.	Deferred taxes	-	0.00%	0.00%	0.00%
7.	Customer deposits	-	0.00%	0.00%	0.00%
8.	Customer advances for construction	-	0.00%	0.00%	0.00%
9.	Totals	<u>\$211,276</u>	<u>100.00%</u>		<u>-21.99%</u>



KINGSBURY UTILITY CORPORATION  
KINGSBURY, INDIANA  
SCHEDULE OF PRESENT AND PROPOSED RATES

CAUSE # 43297-U  
 REVISED

	Present Rates (1) Col. A	Tracker Col. B	Adjusted Present Rates Col. C	Proposed Rates Col. D	Increase	
					Amount Col. E	Percent Col. F
<b>METERED RATES PER MONTH</b>						
First 5,000 gallons	\$ 3.51	\$ -	\$ 3.51	\$ 4.89	\$ 1.38	39.40%
Next 10,000 gallons (5,001 - 15,000)	\$ 3.02	\$ -	\$ 3.02	\$ 4.21	\$ 1.19	39.40%
Next 35,000 gallons (15,001 - 50,000)	\$ 2.24	\$ -	\$ 2.24	\$ 3.12	\$ 0.88	39.40%
Next 50,000 gallons (50,001 - 100,000)	\$ 1.46	\$ -	\$ 1.46	\$ 2.04	\$ 0.58	39.40%
Next 100,000 gallons (100,001 - 200,000)	\$ 1.26	\$ -	\$ 1.26	\$ 1.76	\$ 0.50	39.40%
All amounts over 200,000 gallons	\$ 0.98	\$ -	\$ 0.98	\$ 1.37	\$ 0.39	39.40%
<b>MINIMUM RATES PER MONTH</b>						
5/8 inch diameter	\$ 17.52	\$ -	\$ 17.52	\$ 24.42	\$ 6.90	39.40%
3/4 inch diameter	\$ 22.49	\$ -	\$ 22.49	\$ 31.35	\$ 8.86	39.40%
1 inch diameter	\$ 40.01	\$ -	\$ 40.01	\$ 55.77	\$ 15.76	39.40%
1-1/4 inch diameter	\$ 50.04	\$ -	\$ 50.04	\$ 69.76	\$ 19.72	39.40%
1-1/2 inch diameter	\$ 75.07	\$ -	\$ 75.07	\$ 104.65	\$ 29.58	39.40%
2 inch diameter	\$ 99.99	\$ -	\$ 99.99	\$ 139.39	\$ 39.40	39.40%
3 inch diameter	\$ 175.06	\$ -	\$ 175.06	\$ 244.03	\$ 68.97	39.40%
4 inch diameter	\$ 300.16	\$ -	\$ 300.16	\$ 418.42	\$ 118.26	39.40%
6 inch diameter	\$ 575.30	\$ -	\$ 575.30	\$ 801.97	\$ 226.67	39.40%
8 inch diameter	\$ 850.35	\$ -	\$ 850.35	\$ 1,185.39	\$ 335.04	39.40%
<b>FIRE LINES / SPRINKLERS - PER YEAR</b>						
	\$ 250.12	\$ -	\$ 250.12	\$ 348.67	\$ 98.55	39.40%
<b>HYDRANT RENTAL - PER YEAR</b>						
	\$ 210.27	\$ -	\$ 210.27	\$ 293.12	\$ 82.85	39.40%

(1) Approved in Cause No.42343-U, Order dated April 20, 2006.